

**Technical Note**  
**Gross Domestic Product, Second Quarter 2003 (Advance)**  
**July 31, 2003**

This technical note provides background information about the source data and estimating methods used to produce the estimates presented in the GDP news release; the note also provides some perspective on the estimates. Additional material will be posted to BEA's Web site <[www.bea.gov](http://www.bea.gov)> as it becomes available over the next few days. In a few weeks, the estimates will be published in BEA's monthly journal, the *Survey of Current Business*. The *Survey* also will provide a more detailed analysis of the estimates ("The Business Situation").

**Gross Domestic Product**

Real GDP: Based on data available at this time, BEA estimates that real GDP increased 2.4 percent (annual rate) in the second quarter of 2003 after increasing 1.4 percent in the first quarter. Growth in the second quarter was boosted by federal defense spending, by business investment in plant and equipment, and by consumer spending. Imports, which are subtracted in the calculation of GDP, increased after decreasing in the first quarter.

Real final sales of domestic product, GDP less the change in private inventories, increased 3.2 percent in the second quarter, following an increase of 2.3 percent in the first. A swing from inventory accumulation to liquidation subtracted 0.77 percentage point from the second-quarter change in GDP. In the first quarter, a slowdown in the pace of inventory accumulation had subtracted 0.82 percentage point from the change in GDP.

Prices: The price index for gross domestic purchases increased 0.3 percent in the second quarter after increasing 3.4 percent in the first. Energy prices accounted for most of the slowdown; excluding food and energy prices, the index increased 0.7 percent in the second quarter after increasing 1.8 percent in the first.

Disposable personal income and personal saving: Real disposable personal income (DPI) increased 2.4 percent in the second quarter after increasing 2.1 percent in the first. The step-up in real DPI growth reflected the slowdown in inflation. Personal saving—current-dollar DPI less personal outlays—was \$270.6 billion in the second quarter, compared with \$290.0 billion in the first. The personal saving rate—saving as a percentage of DPI—was 3.3 percent in the second quarter; it was 3.6 percent in the first.

Investment in structures: On July 1, 2003, the Census Bureau released its annual revision of data on the value of construction put in place using a new classification system that organizes project types according to their function instead of type of structure. The Census Bureau will discontinue the old classification system on August 1, 2003. BEA calculated its estimates of investment in structures by constructing a "bridge" between the new classifications and the old classifications based on a concordance provided by the Census Bureau. BEA will fully incorporate the new classification system when the comprehensive revision of the national income and product accounts (NIPA's) is released.

Comprehensive revision: On December 10, 2003, BEA plans to release the results of its 12th comprehensive (or benchmark) revision of the NIPA's. The annual revision of the NIPA's that would normally take place this summer will instead be combined with the comprehensive revision. Information on the revision—including release schedule, highlights, detailed articles, and frequently asked questions—is available on BEA's Web site:

[www.bea.gov/bea/dn/2003benchmark/CR2003.htm](http://www.bea.gov/bea/dn/2003benchmark/CR2003.htm)

### **Source Data for the Advance Estimate**

The advance GDP estimate for the second quarter is based on source data that are incomplete and subject to revision.

Three months of source data were available for consumer spending on goods; shipments of capital equipment other than aircraft; motor vehicle sales and inventories; manufacturing durables inventories (except semiconductors); federal government outlays; and consumer, producer, and international prices. Only two months of data were available for most other key data sources; BEA's assumptions for the third month are shown in table A.

- C For the change in nondurable manufacturing inventories, a decrease was assumed for June.
- C For the change in non-motor-vehicle inventories of retailers and merchant wholesalers, an increase was assumed for June.
- C For exports of goods, excluding gold, an increase was assumed for June.
- C For imports of goods, excluding gold, an increase was assumed for June.

Brent R. Moulton  
Associate Director for National Economic Accounts  
Bureau of Economic Analysis  
(202) 606-9606  
July 31, 2003

Table A. KEY ASSUMPTIONS FOR THE ADVANCE ESTIMATE OF GDP  
FOR THE SECOND QUARTER OF 2003

For many of the key series used to prepare the advance estimate of GDP, including retail sales, unit automobile and truck sales and inventories, manufacturers' shipments of nondefense capital goods (other than aircraft), manufacturers' inventories of durable goods, federal defense spending, and consumer, producer, and international price indexes, actual data are available for all months of the quarter.

For the key series shown in this table, actual data for the third month of the quarter usually are not available in time for inclusion in the advance GDP estimate. BEA makes assumptions for the source data that are not yet available; assumptions for June 2003 are shown in the last column of the table. For most series shown, the data for May are preliminary and subject to further revision. Occasionally, the data for earlier months are also subject to revision.

All series shown in the table are in billions of dollars, seasonally adjusted at annual rates, and are published by the Bureau of the Census.

|   | Jan.  | Feb.  | 2003<br>Mar. | Apr.  | May   | Jun.* |
|---|-------|-------|--------------|-------|-------|-------|
| Private fixed investment:   |       |       |              |       |       |       |
| Nonresidential structures:  |       |       |              |       |       |       |
| 1 Value of new total private construction put in place less residential (inc. improvements)...                    | 217.6 | 216.5 | 221.6        | 218.9 | 217.3 | 216.9 |
| Equipment and software:   |       |       |              |       |       |       |
| 2 Manufacturers' shipments of complete aircraft.....  | 24.3  | 33.4  | 30.8         | 20.0  | 22.6  | 32.3  |
| Residential structures:   |       |       |              |       |       |       |
| Value of new residential construction put in place:   |       |       |              |       |       |       |
| 3 Single family.....  | 290.1 | 289.1 | 288.2        | 287.2 | 286.4 | 288.5 |
| 4 Multifamily.....  | 33.4  | 33.7  | 33.4         | 33.4  | 33.9  | 34.1  |
| Change in private inventories:  |       |       |              |       |       |       |
| 5 Change in inventories for nondurable manufacturing.....   | 9.4   | 24.7  | 5.4          | 0.6   | 15.0  | -1.2  |
| 5a Change in inventories for merchant wholesale and retail industries other than motor vehicles and equipment.... | 3.7   | 28.2  | 26.3         | -14.7 | -18.3 | 7.3   |

Net exports:

Exports of goods:

|  |       |       |       |       |       |       |
|--|-------|-------|-------|-------|-------|-------|
| 6 U.S. exports of goods,<br>international-transactions-<br>accounts basis..... | 685.7 | 694.9 | 699.5 | 686.8 | 691.0 | 703.5 |
| 6a Excluding gold.....   | 681.3 | 691.1 | 696.4 | 682.9 | 685.8 | 697.7 |

Imports of goods:

|  |        |        |        |        |        |        |
|--|--------|--------|--------|--------|--------|--------|
| 7 U.S. imports of goods,<br>international-transactions-<br>accounts basis..... | 1224.0 | 1218.7 | 1269.7 | 1243.1 | 1252.3 | 1263.3 |
| 7a Excluding gold.....   | 1221.6 | 1216.1 | 1267.6 | 1240.2 | 1248.7 | 1257.6 |

|                             |        |        |        |        |        |        |
|-----------------------------|--------|--------|--------|--------|--------|--------|
| 8 Net exports of goods..... | -538.3 | -523.9 | -570.1 | -556.3 | -561.3 | -559.8 |
|-----------------------------|--------|--------|--------|--------|--------|--------|

|                        |        |        |        |        |        |        |
|------------------------|--------|--------|--------|--------|--------|--------|
| 8a Excluding gold..... | -540.3 | -525.0 | -571.2 | -557.3 | -563.0 | -559.9 |
|------------------------|--------|--------|--------|--------|--------|--------|

Government:

State and local:

Structures:

|  |       |       |       |       |       |       |
|--|-------|-------|-------|-------|-------|-------|
| 9 Value of new construction put<br>in place..... | 198.8 | 194.7 | 190.4 | 190.6 | 188.3 | 189.5 |
|--|-------|-------|-------|-------|-------|-------|

---

\*Assumption.